



STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

www.bpu.state.nj.us

IN THE MATTER OF THE APPLICATION) TELECOMMUNICATIONS
OF VERIZON NEW JERSEY, INC. FOR)
THE APPROVAL OF THE SALE AND) ORDER OF APPROVAL
CONVEYANCE OF REAL PROPERTY)
LOCATED IN THE BOROUGH OF GLEN)
RIDGE, ESSEX COUNTY, NEW JERSEY) DOCKET NO. TM04010011
TO THE PEGASUS GROUP, L.L.C.)

(SERVICE LIST ATTACHED)

BY THE BOARD:

On January 6, 2004, Verizon New Jersey Inc. ("Petitioner" or "VNJ") filed an application with the Board of Public Utilities ("Board") for approval of the sale and conveyance of real property ("Property") located in the Borough of Glen Ridge, Essex County, New Jersey to the Pegasus Group, L.L.C. ("Buyer") for a sum of \$3,001,018. The property is described as lot 1, block 88, on the tax map of The Borough of Glen Ridge. The Property consists of a three story, 48,830 square foot building on approximately 1.27 acres of land. The Property was originally acquired on October 28, 1953, as a site for an office building for Petitioner's directory advertising and sales personnel. The property ceased to be used for such purpose on or about October, 2002 when the personnel from this and a Maplewood location were transferred to a new West Orange location. On December 31, 2002, Petitioner determined that the Property is not required for any present or prospective utility purposes.

The Petitioner has entered into a Contract of Sale and Rider with the Buyer ("Agreement") whereby Petitioner agreed to sell and convey the Property to the Buyer. The Agreement is subject to various contingencies including approval of the Board and the Buyer securing all necessary and/or required approvals of any federal, state, county and/or municipal governmental authorities, including Site Plan approval permitting the Buyer to develop and operate an apartment building on the Property comprising of not less than thirty three (33) residential units. Such approvals are to be obtained within 270 days from the date of Agreement.

The Net Book Value of the Property is \$1,213,934 and its 2003 assessed value is \$1,500,000. Welsh Chester Galiney Matone, Inc., a real estate appraiser, was requested to review the current market conditions and determine the value of the Property. The appraiser concluded, based on the available market data that as of December 6, 2002, the market value of the Property was \$3,650,000.

The filing also shows that the Property had been advertised twice, in February 2003 and in June 2003. In response to first advertisement, only one bid was received which was significantly lower than the fair market value established by the independent appraisal. In response to the second advertisement, six bids were received. The highest bid of \$3,001,018, from the Pegasus Group, L.L.C., was accepted by VNJ.

VNJ and the Buyer have complied with all statutory requirements regarding sale of utility Property as contained in N.J.A.C. 14:1-5.6 and N.J.S.A. 48:3-7, and there is no relationship between the parties other than that of transferor and transferee.

On April 5, 2004, VNJ filed a letter stating that the Buyer and VNJ have amended the original contract of sale. The amendment includes: (a) a downward adjustment of the sale price by \$30,000 (reducing the sale price to \$2,971,018 from \$3,001,018) to defray the cost of the Buyer's removal of asbestos which, upon the Buyer's inspection, was found to exist in the building located on the Property; (b) an extension of the time for the Buyer to file its site plan application to allow for a zoning change requested by the municipality; (c) establishment of a firm outside closing date of November 24, 2004; and (d) to provide for the reservation by VNJ of a non-exclusive easement to access a pole and equipment found to be on the Property.

On April 22, 2004, VNJ filed a schedule showing the proposed Journal Entries to record the sale in the above referenced matter. The schedule was inadvertently omitted from the petition, which was filed on January 6, 2004.

RATEPAYER ADVOCATE COMMENTS

On January 26, 2004, the Ratepayer Advocate ("RPA") filed its comments stating that it does not oppose the sale, however, the profit from the sale of Property should flow to ratepayers who have funded the assets. The RPA further argued that, in the absence of any sharing mechanism, it is appropriate to augment VNJ's Access New Jersey ("ANJ") program with the profit from the sale. The RPA believes that the funding of ANJ program will provide benefits to all New Jersey consumers.

VNJ RESPONSE

On February 27, 2004, VNJ filed its comments requesting that the Board reject the RPA's objections and approve the sale of the Property. VNJ argues that unlike other utilities, VNJ is not currently regulated by traditional rate base regulation and it is neither ensured of a particular rate of return nor permitted to freely raise its rate when its costs increase. VNJ argues that the Board has recognized this distinction I/M/O Filing by Verizon New Jersey Inc. for Approval of Sale of Surplus Land to Union Center National Bank, Docket No. TM03060469, in which the Board noted that such profit sharing is not warranted because "the new Alternative Regulation Plan does not include an earnings sharing requirement, which is, consistent with current trends in alternative price

regulation. New Jersey was formerly the only state among those with alternative forms of price regulation to impose an earnings sharing requirement."

DISCUSSION

The Board finds that it is necessary to allow the parties an opportunity to address the issue of whether the proceeds of sale of the subject property should be shared with the ratepayers since this matter has not been addressed specifically in the Board's Decision and Order I/M/O the Application of Verizon New Jersey Inc. for Approval (i) of a New Plan for an Alternative Form of Regulation and (ii) to Reclassify Multi-line Rate Regulated Business Services as Competitive Services, and Compliance Filing, Docket No. TO01020095. The Board also notes that it has already directed the Staff to develop a process for such an examination in I/M/O the Filing by Verizon New Jersey Inc. for Approval of Surplus Land to Plainfield-Hadley, LLC, Docket No. TM02050281. This process was initiated at the September 13, 2004 Agenda meeting at Docket No. TX04080749. However, the Board HEREBY FINDS that this process should not delay Petitioner's request for an approval of this sale of its surplus real estate property as requested in its petition. In view of the foregoing, the Board FURTHER FINDS that the proposed sale of said Property will not affect Petitioner's ability to provide safe, adequate and proper service, is in the public interest and in accordance with law, and accordingly HEREBY APPROVES the sale, subject to the following conditions:

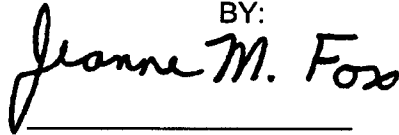
- Petitioner is directed to advise the Board of the date on which the transaction is completed, within ten (10) days of the date of completion;
- This Order shall be of no effect, null and void, if the sale hereby approved is not completed within six (6) months of the date hereof unless otherwise ordered by the Board;
- Petitioner shall ensure that the proceeds from this transaction will be made available with interest at a rate to be determined by the Board in the event the Board ultimately determines that sharing of the proceeds with ratepayers is appropriate; and

- The approval of the proposed journal entries recording the sale of this Property shall not affect or in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceeding with respect to rates, financing, accounting, capitalization, depreciation or in any other matters affecting Petitioner.

DATED: 9/14/04

BOARD OF PUBLIC UTILITIES

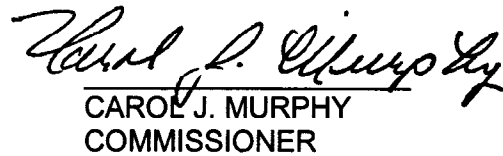
BY:



JEANNE M. FOX
PRESIDENT



FREDERICK F. BUTLER
COMMISSIONER



CAROL J. MURPHY
COMMISSIONER



CONNIE O. HUGHES
COMMISSIONER



JACK ALTER
COMMISSIONER

ATTEST:



KRISTI IZZO
SECRETARY

In the Matter of the Application Verizon New Jersey, Inc.
For Approval of Sale and Conveyance of Real Property Located in the
Borough of Glen Ridge, Essex County, New Jersey to the Pegasus Group, L.L.C.

SERVICE LIST

Docket No. TM04010011

Bruce D. Cohen, Esq.
Verizon New Jersey Inc.
540 Broad Street, 20th floor
Newark, NJ 07102

Sidney D. Weiss
Attorney for Verizon New Jersey Inc.,
19 Saddle Road,
Cedar Knolls, NJ 07927

Seema M. Singh, Esq.
Jose Rivera-Benitez, Esq.
Christopher J. White, Esq.
Division of the Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102

Kristi Izzo, Secretary
Board of public Utilities
Two Gateway Center
Newark, NJ 07102

Anthony Centrella
John DeLuca
Robert Melendez
Majid Hasan
Board of Public Utilities
Division of Telecommunications
2 Gateway Center
Newark, NJ 07102

Todd Stedman, D.A.G.
Deputy Attorney General
Department of Law & Public Safety
124 Halsey Street, 5th Floor
Newark, NJ 07102